

TITLE OF REPORT: CAPITAL PROGRAMME OUTTURN 2012/13

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

- 1.1 To update Cabinet on the capital programme for 2012/13, as at the end of financial year 2012/13, indicating its impact upon the 2013/14 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2012/13 and 2013/14 onwards.
- 1.3 To obtain Cabinet's approval for the funding of the capital programme and to the amount of capital receipts applied towards the 2012/13 capital outturn.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves expenditure of £2.472million in 2012/13 on the capital programme, paragraph 8.2 refers.
- 2.2 That Cabinet considers and approves the changes to the capital programme for 2013/14 and onwards as a result of the slippage detailed in table 2, the changes in table 3 and the further changes detailed in paragraph 8.6, bringing the estimated spend in 2013/14 to £10.420million.
- 2.3 That Cabinet notes the position of the availability of capital resources, as described in paragraphs 8.8 to 8.10, and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet approves the application of £0.3million of capital receipts towards the 2012/13 capital programme and the drawdown of £1.1million of cash investments, paragraph 8.8 refers.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve revisions to the capital programme.
- 3.2 Cabinet is required to ensure that the capital programme is fully funded.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was referred to in the Forward Plan on 8 March 2013.

7. BACKGROUND

- 7.1 Members were advised in June of the outturn position of the capital programme for the financial year 2011/12. Total capital expenditure in 2011/12 was £4.784million and a remaining useable capital receipt balance of £1.197million was available as at 1 April 2012. The projected capital expenditure for 2012/13 at this time was £7.989million.
- 7.2 The June report advised Members that Officers had received advice from Treasury Advisors who recommended that, given the extent to which the CFR is negative, capital expenditure can be funded by drawing down cash investments (set aside receipts). They also advised that it is not likely it would be considered prudent to raise any more external borrowing. In other words such action could be considered to be in breach of the requirements of S.1 of the Local Government Act 2003. The Council's external auditors reviewed the drawing down of £2million of cash investments for the funding of the 2011/12 capital programme as part of the audit of the accounts and did not raise it as an issue.
- 7.3 In September Members received the first quarter monitoring report and approved a revised projected expenditure for 2012/13 of £8.228million. This was an increase of £239k over that previously reported in June. The increase in spend was partly due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £690k, partly due to a net decrease in the expected spend on schemes of £80k and partly due to two new projects not previously included in the capital programme which totalled a net increase of £1.009million.
- 7.4 In December Members approved a revised projected expenditure for 2012/13 of £6.505million. This was a decrease of £1.722million over that previously reported in September. The decrease in spend was partly due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £1.703million, partly due to a net decrease in the expected spend on schemes of £62k and partly due to a new project not previously included in the capital programme with a cost of £43k.
- 7.5 In February Members approved a revised projected expenditure for 2012/13 of £4.588million. This was a decrease of £1.917million over that previously reported in December. The decrease in spend was partly due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £1.906million and partly due to a net decrease in the expected spend on schemes of £11k.

8. ISSUES

Capital Programme 2012/13

- 8.1 Summaries of the capital programme by priorities and by service are shown in appendix A together with the overall funding analysis and projected availability of capital receipts. The full programme is detailed in Appendix B and shows the revised costs of schemes, together with the provisional programme from 2012/13 to 2015/16. The funding source for each capital scheme is shown in appendix C.

8.2 The outturn capital expenditure for 2012/13 (including all the changes detailed in the paragraphs that follow) is £2.472million. This is a decrease of £2.115million over that previously reported at the end of the third quarter. The decrease in spend is partly due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £1.022million and partly due to a net decrease in the expected spend on schemes of £1.073million.

8.3 The following capital schemes have completed during 2012/13:

- Payment to Jephson Housing Association for the delivery of affordable housing at the former Ling Dynamics site in Royston
- A total of £790k of Disabled Facility Grants have been delivered
- New payment machines in the Council's car parks
- Roof replacement at North Herts Leisure Centre
- Repairs and improvements to Letchworth multi-storey car park
- Enhanced play areas at Purwell, Hitchin and The Grange, Letchworth
- Enhanced multi use games area at Priory Gardens
- Health and Safety Compliance works
- An extension to the Great Ashby Community Centre
- Replacement Trees at Broadway Walk, Letchworth
- An upgrade to the Generic Import Module (part of the corporate document management system for the importing and indexing of a wide range of documents)
- Replacement of PCs

8.4 Table 1 lists the schemes now projected to start or continue in 2013/14:

Table 1: Scheme Timetable Revision:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2012/13 Working Budget £'000	2012/13 Outturn £'000	Variance £'000	Comments
Trip Hazards, Hitchin	24	0	-24	Paving repairs in Hitchin will be completed during 2013/14.
Server Strategy	47	0	-47	Remaining budget for the improvement of the Council's Servers.
Content Cleansing Software	30	0	-30	This software is important to ensure the compliance to the document retention policy and Data Protection Act. Funded from the IT reserve.
Cycle Strategy implementation	180	2	-178	Implementation of the strategy to be funded from the remaining funds of the Growth Area Fund. Currently working with HCC to progress schemes in the District.
Transport Plans implementation	295	19	-276	Implementation of the strategy to be funded from the remaining funds of the Growth Area Fund.
Green Infrastructure implementation	97	26	-71	Implementation of the strategy to be funded from the remaining funds of the Growth Area Fund. Currently working with HCC to progress schemes in the District.

Scheme	2012/13 Working Budget £'000	2012/13 Outturn £'000	Variance £'000	Comments
Great Ashby Community Centre Extension	302	268	-34	The scheme has been completed but further payments to the contractor are expected as part of the retention period.
Avenue Park renovation	25	0	-25	
Neighbourhood Parks renovation	70	0	-70	
Trial On-Street Car Park Charging	50	0	-50	Indicative estimate for a trial of on-street charging should progress as part of Letchworth Town Area wide review.
Disabled Facility Grants	818	790	-28	All funds were committed at year end and it is proposed to add this underspend to the budget for 2013/14. Total budget in 2013/14 will then be £773k.
Royston Civic Centre Site redevelopment	46	4	-42	Viability work completed. The site has complex land ownership arrangements and progress will be subject to discussions with the land owners.
Howard Park and Gardens	156	59	-97	Remaining budget of £50k in 2013/14 for final retention monies owed.
Other minor slippage			-50	
Total Revision to Budget Profile			-1,022	

8.5 There are also changes to the overall costs of schemes in 2012/13. These changes total a decrease of £1.073million and are detailed in Table 2:

Table 2: Changes to Capital Schemes Commencing in 2012/13:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2012/13 Working Budget £'000	2012/13 Revised Projection £'000	Increase/ Decrease £'000	Notes
North Herts Leisure Centre Roof Replacement	313	138	-175	The work has been completed at a total cost which is less than the original estimate following revision to the specification. The Portfolio Holder, in consultation with the Portfolio Holder for Planning, Transport and Enterprise, has approved to use some of this reduction to increase the investment in the Lighting at Letchworth Multi-Storey car park by £43k to a total of £213k.
Local Authority Mortgage Scheme	1,000	0	-1,000	Further accounting guidance for the scheme revealed it was not necessary to treat the £1million advance as expenditure. The LAMS cash advance represents financial assistance. As such it complies with the statutory definition of

Scheme	2012/13 Working Budget £'000	2012/13 Revised Projection £'000	Increase/ Decrease £'000	Notes
				capital expenditure set out in regulation but does not result in expenditure as such. A long term debtor has been recognised in the accounts which will be paid on termination of the scheme.
S106 Projects	0	76	+76	A total of £76k of S106 funding has been used on minor capital expenditure for Community and Parish projects during the course of the year.
			+6	Other minor changes in the cost of schemes.
			-1,073	

8.6 The capital programme has been updated for decisions taken by Members in the last quarter of 2012/13 for the following schemes:

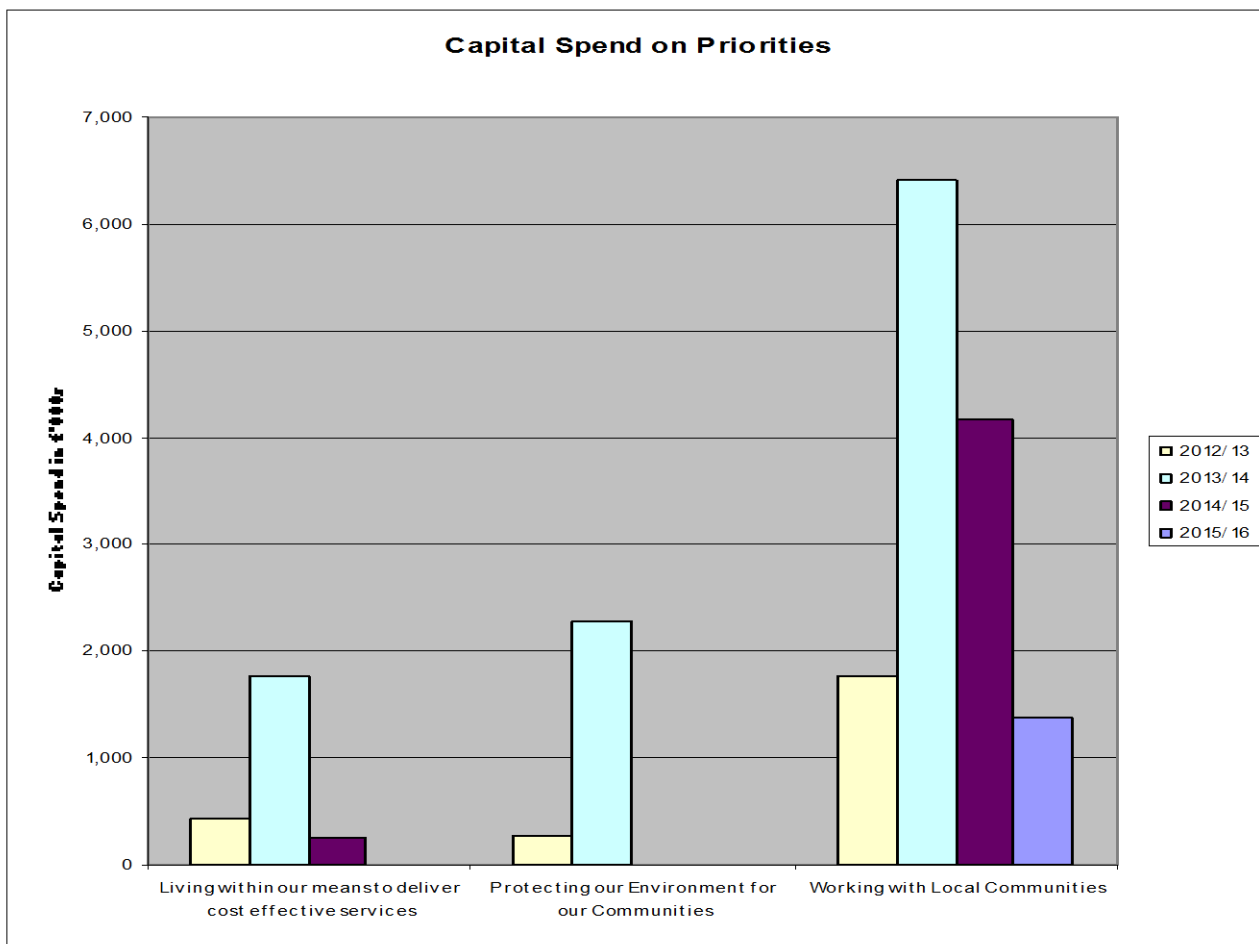
- The additional financial commitment of £100k to incorporate 15 Brand Street into the North Hertfordshire Museum and Community Facility project
- Regeneration of John Barker Place, Hitchin, including the building of a new Community Centre and the provision of a grant to North Hertfordshire Homes to enable the delivery of affordable housing
- Disposal of land at Dark Lane, Sandon, and a provision of a Housing Grant to Howard Cottage Housing Association to enable the delivery of affordable housing

Link to the Council's Priorities

8.7 The total programme from 2012/13 to 2015/16 of £18.7million contributes towards the three priorities of;

- Living within our means to deliver cost effective services
- Protecting our Environment for our Communities
- Working with Local Communities

Chart 1: Distribution of capital spend on the Council's priorities



Capital Programme 2012/13 Funding onwards

- 8.8 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2012/13 and onwards was £1.197million. The 2012/13 capital spend requires funding of £1.4million from the Council's capital resources. A total of £0.3million is proposed to be used from useable capital receipts and the remaining £1.1million is proposed to be used from the set aside receipts. Use of the set aside receipts will increase the Council's Capital Financing Requirement by £1.1million and is reflected in the Treasury Activity review of 2012/13. There will be a balance of £1.243million remaining in useable capital receipts at 1 April 2013 for funding of future capital spend. There have been no capital receipts from the sale of assets in 2012/13.
- 8.9 The availability of third party contributions and grants to fund capital investment is continuously sought in order to alleviate pressure on the Council's available capital receipts and allow for further investment. In 2012/13 a total of £869k of third party contributions and grants has been applied. This includes £364k of S106 receipts.
- 8.10 The capital programme will need to remain permanently under close review due to the limited availability of capital receipts and the affordability in the general fund of the cost of using the Council's set aside capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.2million currently earns the Authority approximately £12k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference specifically include "to monitor expenditure on the capital programme". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report. The Authority can call upon disposal of its non-core assets if needed and if considered affordable.
- 10.2 The Authority operates a 10% tolerance limit on capital projects and on this basis over the next four-year programme it should be anticipated that the total spend over the period could be £1.87million higher than the estimated £18.7million. The authority will need to continuously review the affordability of the capital programme in the light of the asset disposal programme, availability of third party funds and impact on the general fund. The asset disposal programme has to be carefully reviewed in the light of market conditions while considering the demands for resources from the capital programme.

11. RISK IMPLICATIONS

- 11.1 As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate against the risk of a project not achieving the agreed objectives.
- 11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These should be recorded on a project risk log which will be considered by the Project Board (if applicable).

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12. Any individual capital scheme which is subject to the award of a public service contract will be evaluated in terms of its social value through the Council's procurement processes.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct human resource implications.

15. APPENDICES

- 15.1 Appendix A, Capital Programme Summary 2012/13 onwards.
Appendix B, Capital Programme Detail 2012/13 onwards,
Appendix C, Capital scheme Funding 2012/13 onwards,

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17. BACKGROUND PAPERS

- 17.1 2011/12 Year End Statement of Accounts
17.2 2012/13 Budget Estimates Book.